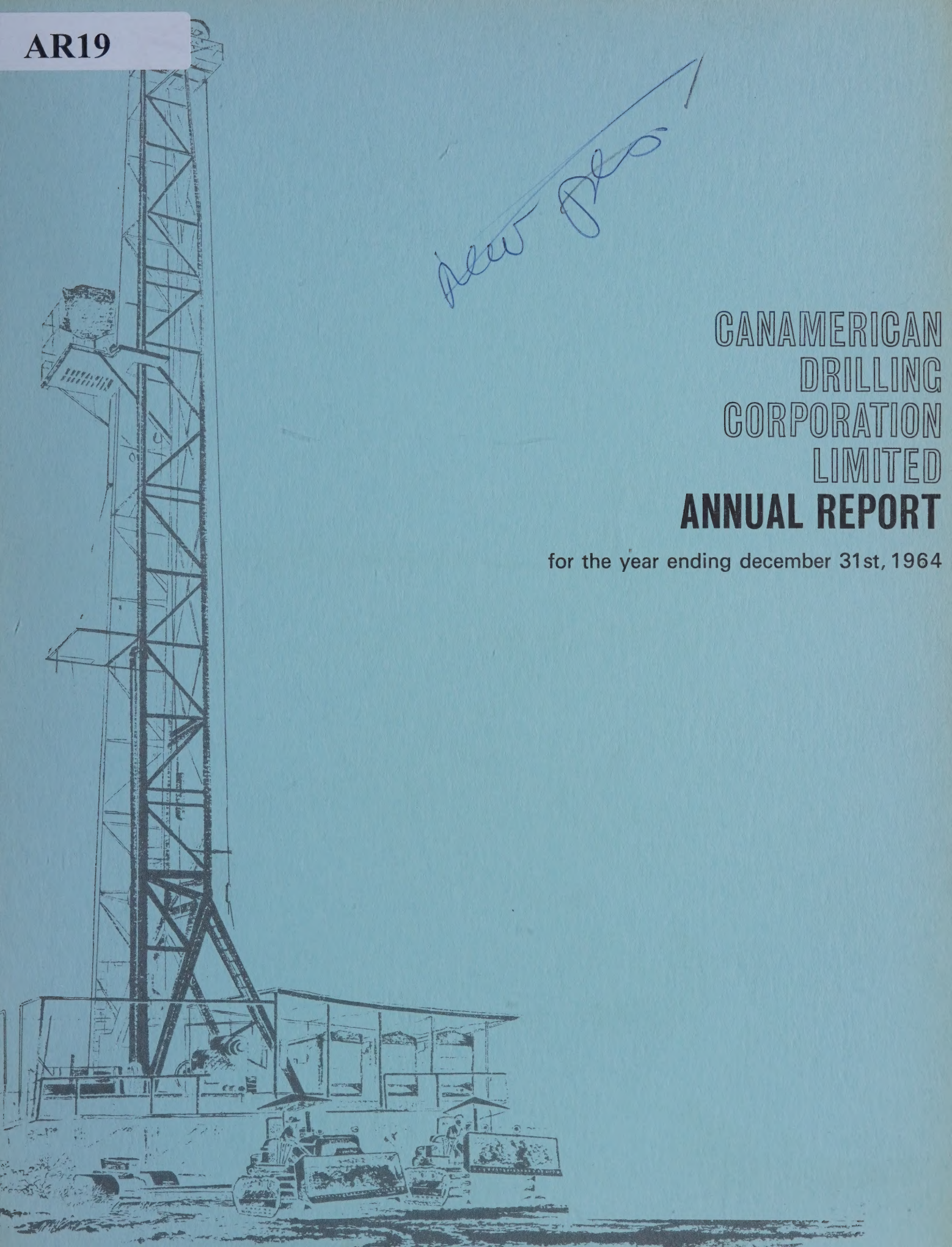


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*See Also*

CANAMERICAN  
DRILLING  
CORPORATION  
LIMITED  
**ANNUAL REPORT**

for the year ending december 31st, 1964







# CANAMERICAN DRILLING CORPORATION LIMITED

## DRILLING CONTRACTORS

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### BOARD OF DIRECTORS

N. B. GERRY, Toronto, Ontario

GERTRUDE IRWIN, Calgary, Alberta

G. PETER MacNAMES, Toronto, Ontario

A. J. MILLS, Calgary, Alberta

H. SUTHERLAND, Toronto, Ontario

JOHN E. WALLINGTON, Burlington, Ontario

S. H. WOOD, Calgary, Alberta

### OFFICERS

President: G. PETER MacNAMES

Executive Vice-President and General Manager:  
A. J. MILLS

Secretary-Treasurer: GERTRUDE IRWIN

### OFFICES

*Head Office:* 14th Floor, 320 Bay Street, Toronto 1,  
Ontario

*Executive Office:* 320 Seventh Avenue South West,  
Calgary, Alberta

### REGISTRAR AND TRANSFER AGENT

GUARANTY TRUST COMPANY OF CANADA,  
Toronto



# CANAMERICAN DRILLING CORPORATION LIMITED

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## *Directors' Report to Shareholders*

### TO THE SHAREHOLDERS

Your Directors are pleased to submit herewith the annual report on the operations of the Company for the year ended December 31st, 1964.

Due in large part to increased Saskatchewan potash drilling activity, your Company in 1964 achieved the highest earnings in its history, a net profit of \$98,887.00 after all charges. No provision for income taxes was required as the Company was still in a deficit position. The Company completed a total of 114 contract wells in 1964, for a total footage drilled of 432,511 feet. Work during the year was all in the provinces of Saskatchewan and Manitoba, and substantially all for potash companies. The Company's five owned rigs and one rented rig were occupied for a total of 1,641 rig-days during the year out of a possible total of 2,127 rig-days.

The actual net cash income earned by the Company during the period under review was \$268,683.00, against a corresponding 1963 figure of \$192,678.00.

As was mentioned in last year's annual report, the Company in mid-1964 sold its largest rig, No. 3, for cash. The 1964 operating results were attained without any contribution to earnings by the rig sold. Further, as you will see in the Statement of Profit and Loss, an amount of \$32,167.00 was charged against earnings as "Loss on disposal of fixed assets." Virtually all of this write-off resulted from the sale of Rig No. 3 at less than book value.

Notwithstanding the marked improvement in the Company's earnings during 1964, Canamerican was still operating with a substantial deficit working

capital position at December 31st, 1964. This was due mainly to the fact that the Company has been carrying a heavy investment in Australian Drilling Company (Pty.) Ltd., which is set out in the Balance Sheet in two items as follows:

Due from Australian venture.....	\$ 32,493.00
7% Debenture receivable.....	341,585.00
Total.....	<u>\$374,078.00</u>

The shortage of working capital placed a severe strain on the Company's financial resources, to the point where it became unable by December 31st, 1964 to meet its scheduled debt repayments to its two major creditors. In order to refinance these debts on a longer term basis, or to obtain substitute loans elsewhere, it became clear that the Company's debenture debt would have to be reorganized and that the March 1st, 1965 debenture interest coupon could not be honoured.

Accordingly, a proposal was submitted to the holders of the Company's debentures at a meeting held on April 8th, 1965. The proposal, which was approved by the debenture holders, resulted in an exchange of the Company's 7% convertible debentures due March 1, 1970 into new securities on the following basis:

Each \$500.00 principal amount of convertible debenture due March 1, 1970 on surrender to Guaranty Trust Company of Canada is replaced by the securities listed below:

- (a) \$250.00 principal amount of 7% convertible debentures due March 1, 1975 with interest accruing on and after September 1, 1966,

registered as to both principal and interest, and convertible into 125 common shares at the holder's option at any time while outstanding;

- (b) 25 7% non-cumulative redeemable convertible participating preference shares with a par value of \$10 each, convertible into 200 common shares at the holder's option at any time while outstanding (no dividends can be expected on these shares for the time being);
- (c) 100 common shares;
- (d) 150 share warrants, each entitling the holder to subscribe for one share of common stock at \$.50 at any time until March 1, 1975.

Those shareholders who are also debentureholders and who have not had their old debentures exchanged should do so by presenting their debentures to Guaranty Trust Company of Canada at Toronto.

At a meeting of shareholders held on April 8th, 1965 the Board of Directors was increased to seven members and Mr. John E. Wallington was elected a Director of the Company.

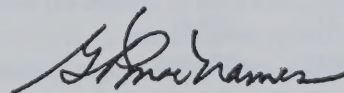
Subsequent to the reorganization, and after exploring a number of courses of action, the Company was able to reduce its indebtedness to its two major creditors by a total of \$75,000.00 and to renegotiate the repayment of the balance of approximately

\$321,000.00 over a three-year term at the interest rates formerly in effect. Final discharge of these obligations in full may require a modest amount of new financing during 1967, depending on the Company's 1965-6 drilling income and the commencement of debt repayment to the Company by Australian Drilling Company (Pty.) Ltd. Meanwhile, the Company's working capital has been restored to a black ink figure.

Operating results for the first half of 1965 have been running at a rate significantly better than the corresponding period in 1964, although it should be realized that increasing competition in Saskatchewan may narrow profit margins during the remainder of the year. The longer-term outlook appears generally favourable, particularly for the more efficient operators.

Your Directors express their sincere appreciation to employees for their loyal co-operation and assistance, and to the debentureholders and shareholders for their confidence and patience as the Company strives to bolster its financial strength.

Respectfully submitted on behalf of the Board.



G. PETER MACNAMES  
PRESIDENT

August 4th, 1965



# CANAMERICAN DRILLING

(Incorporated under the laws of the State of New York)

## CONSOLIDATED BALANCE SHEET

(with 1963 figures in parentheses)

### ASSETS

	1964	1963
<b>CURRENT ASSETS:</b>		
Cash.....	\$ 140	\$ 140
Accounts receivable.....	642,311	410,336
Inventory of drilling supplies— <i>at cost</i> .....	23,485	20,221
Costs of uncompleted contracts.....	48,757	15,792
Prepaid expenses.....	4,242	27,845
Total current assets.....	718,935	474,334
INVESTMENT IN AND ADVANCES TO SUBSIDIARY COMPANY— <i>at cost, less amount written off</i> ( <i>note 1</i> ).....	16,782	900
DUE FROM AUSTRALIAN VENTURE ( <i>note 2</i> ).....	32,493	30,367
7% DEBENTURE RECEIVABLE—repayable in annual instalments of \$100,000 com- mencing July 1, 1967 and maturing July 1, 1970, plus accrued interest ( <i>note 2</i> )	341,585	320,303
<b>FIXED ASSETS—<i>at cost</i>:</b>		
Drilling rigs and related equipment.....	889,668	1,195,852
Transportation and other equipment.....	49,957	78,847
	939,625	1,274,699
Less accumulated depreciation.....	432,604	536,564
Net fixed assets.....	507,021	738,135
<b>OTHER ASSETS—<i>at cost</i>:</b>		
Deposits held by trustee for redemption of debentures.....	184	36
Sundry investments.....	350	350
Unamortized debenture discount and expenses.....	49,639	60,688
Total other assets.....	50,173	61,074
<b>TOTAL.....</b>	<b>\$1,666,989</b>	<b>\$1,625,113</b>

The accompanying notes are an integral part of these financial statements.

# CORPORATION LIMITED

(Laws of Ontario)

AS AT DECEMBER 31, 1964

(comparison)

## LIABILITIES

	1964	1963
<b>CURRENT LIABILITIES:</b>		
Bank overdraft—secured by a general assignment of book debts.....	\$ 125,694	\$ 70,681
Accounts payable and accrued charges.....	479,110	388,633
7% chattel mortgage.....	148,334	183,334
Payments due within one year on long-term liabilities (note 3).....	165,000	195,000
Total current liabilities.....	918,138	837,648
<b>LONG-TERM LIABILITIES (note 3):</b>		
7% convertible, redeemable sinking fund debentures due March 1, 1970...	750,000	750,000
Less redeemed and cancelled to date.....	65,000	47,500
	685,000	702,500
6% secured note—due in quarterly instalments of \$30,000 and maturing October 5, 1966.....	248,829	398,830
	933,829	1,101,330
Less amount included in current liabilities.....	165,000	195,000
Total long-term liabilities.....	768,829	906,330
Total liabilities.....	1,686,967	1,743,978
<b>CAPITAL STOCK AND DEFICIT (note 4):</b>		
Capital stock:		
Authorized—2,000,000 shares of no par value		
Issued and fully paid—510,000 shares.....	25,505	25,505
Deficit per statement.....	(45,483)	(144,370)
Net capital stock and deficit.....	(19,978)	(118,865)
TOTAL.....	\$1,666,989	\$1,625,113

On behalf of the Board:

G. PETER MACNAMES, Director

A. J. MILLS, Director



# CANAMERICAN DRILLING CORPORATION LIMITED

## STATEMENT OF CONSOLIDATED PROFIT AND LOSS AND DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1964

(with 1963 figures for comparison)

	1964	1963
INCOME <i>from operations before taking into account the undernoted items</i> .....	\$ 375,939	\$ 303,730
DEDUCT:		
Amortization of bond discount and expenses.....	11,049	13,097
Interest on long-term indebtedness.....	80,756	84,244
Provision for depreciation.....	113,978	152,655
Remuneration of executive officers.....	26,500	26,808
	232,283	276,804
PROFIT ON DRILLING OPERATIONS.....	143,656	26,926
OTHER EXPENSES:		
Provision for depreciation on idle equipment.....	10,450	52,883
Provision for loss on advance to subsidiary company.....	5,000	—
Loss on disposal of fixed assets.....	32,167	1,974
Total other expenses.....	47,617	54,857
PROFIT (LOSS) BEFORE OTHER INCOME.....	96,039	(27,931)
OTHER INCOME:		
Gain on redemption of debentures.....	2,848	2,510
Total other income.....	2,848	2,510
NET PROFIT (LOSS) FOR THE YEAR.....	98,887	(25,421)
DEFICIT, <i>beginning of year</i> .....	144,370	118,949
DEFICIT, <i>end of year</i> .....	\$ 45,483	\$ 144,370

The accompanying notes are an integral part of the financial statements.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1964

1. UNCONSOLIDATED SUBSIDIARY COMPANY:

The accounts of a small oil exploration and development company in which Canamerican acquired a 60% interest for \$900 and has advanced \$20,882, have not been included in the consolidated financial statements. A provision of \$5,000 for possible loss on the advances made to this subsidiary has been charged to current year's earnings. The parent's share of the loss of this subsidiary for the first year ending December 31, 1964 is \$990 for which no provision has been made in the accounts.

2. AUSTRALIAN VENTURE:

This amount which includes accrued interest is held on open account under the same terms and conditions as the 7% Debenture Receivable. Documentation amending the amount of the debenture has still to be effected.

3. LONG-TERM LIABILITIES:

Included in payments due within one year on long-term liabilities is \$150,000 required by the terms of the 6% secured note payable. At December 31, 1964 an instalment payment of \$30,000 was in arrears, and so long as the default con-

tinues the whole amount is due and payable. The note is secured by a first mortgage on drilling equipment.

4. CAPITAL STOCK:

342,500 shares without par value were reserved at December 31, 1964 for conversion of outstanding 7% Convertible Sinking Fund Debentures.

The trust indenture securing the Company's Sinking Fund Debentures contains restrictions as to the declaration or payment of dividends on shares without par value (other than stock dividends).

5. ACCOUNTING PRACTICE:

The Company follows the practice of recording income on its drilling contracts on the completed-contract method. Accordingly, no portion of income earned on uncompleted contracts at December 31, 1964 has been recorded in the accounts.

6. SUBSEQUENT EVENTS:

A proposal to the holders of the 7% Convertible Sinking Fund Debentures to convert part of their holdings to capital stock was approved at a meeting held on April 8, 1965.

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## AUDITORS' REPORT

TO THE SHAREHOLDERS OF  
CANAMERICAN DRILLING CORPORATION LIMITED:

We have examined the consolidated balance sheet of Canamerican Drilling Corporation Limited as at December 31, 1964 and the consolidated statement of profit and loss and deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and consolidated statement of profit and loss and deficit present fairly the financial position of the Company as at December 31, 1964 and the results of its operations for the year ended on

that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We report that, in our opinion, the information required by Section 89 of the Ontario Corporations Act is fairly presented in Note 1 to the consolidated financial statements.

DELOITTE, PLENDER, HASKINS & SELLS  
*Chartered Accountants.*

Calgary, Alberta,  
February 23, 1965.







CANAMERICAN  
DRILLING  
CORPORATION  
LIMITED